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IFL INVESTMENT FOUNDATION (CANADA) LIMITED

**ANNUAL REPORT
DECEMBER 31, 1978**

DIRECTORS

A. Scott Fraser, President	Ian B. Campbell, C.A., Vice-President	J.D. Hopkins, Secretary-Treasurer
H.C. Flood	Neil B. Ivory	Ted Tilden
A. Keith Ham	Mostyn Lewis	Kenneth A. Wilson, Q.C.

Miss Muriel M. Hay, Assistant Secretary-Treasurer

The Class A and Class B Shares are listed and traded on the Montreal Stock Exchange, Montreal.
Transfer and Registry Agents ——— Canada Permanent Trust Company, Montreal.

TO THE SHAREHOLDERS:

We are pleased to present the first annual report of IFL Investment Foundation (Canada) Limited ("IFL") which would be the 50th annual report including the predecessor company, Investment Foundation Limited ("Investment Foundation"). We are including with this report not only a Balance Sheet for IFL as at December 31, 1978 and a Statement of Shareholders' Equity, together with the Auditor's Report, but also the financial statements of Investment Foundation as at December 28, 1978.

The exchange offer of one IFL share for each Investment Foundation share was successfully completed and all assets and liabilities of Investment Foundation were transferred to IFL on December 28th, 1978. Application will be made to surrender the charter of Investment Foundation Limited.

Net earnings for the nine month period for both IFL and Investment Foundation were \$4.50 per share against unaudited earnings of \$5.21 per share for Investment Foundation for the nine months ending December 31st, 1977. Three regular dividends (including dividends for both IFL and Investment Foundation) of \$0.80 per share were paid during the period on both the Class "A" and Class "B" shares. In addition, extra dividends of \$0.70, \$1.70 and \$1.45 were declared and paid during the period, reflecting the material, non-recurring dividends received by your company.

We have maintained our positions in fast growing companies and will, in all probability, continue this posture as long as conditions warrant. While the dividend return from these investments is very low based on current markets, the increases in dividends tend to be very rapid.

The liquidating value of IFL's shares on December 31, 1978 was \$84.15 compared to \$77.15 for Investment Foundation on March 31st, 1978 and \$74.53 on December 31st, 1977, all figures after provision for capital gains tax and dividend payments. At this date, there has been minor improvement in liquidating value since year end.

During the past year, earnings were unusually high due to the receipt of a number of non-recurring dividends. Shareholders should not necessarily anticipate this continuing high level of dividends available for dividend payments.

Many economic pundits predict a business downturn in the second half of the year. If 'downturn' is defined as a rate of growth lower than the equivalent period a year before, then this is possible. In absolute terms however, there appear to be many opportunities for the astute investor. Political problems, taxation systems and inflation will continue to plague the

private sector during 1979. As always, the success of this company during the coming years will not depend on the general levels of stock markets but on specific security selection. Our emphasis in security selection is in recognizing entrepreneurial talent in ownership and management.

We report, with regret, the death of Sévère Godin and H. Carson Flood, directors of the company for many years. They will be missed by us all. In February, 1979, Bradshaw Firstbrook was appointed to the Board of Directors.

All stocks are listed on regular stock exchanges. We remind shareholders that the Valuation Day price for IFL shares is the same as for Investment Foundation which is \$41.50 per share.

Respectfully submitted on behalf of the Directors,

A.S. FRASER,
President

SECURITY HOLDINGS AS AT DECEMBER 31st, 1978

		<u>BONDS</u>	<u>MARKET VALUE</u>	
\$10,000.	Asbestos Corporation 9½% July 15/90.....	\$ 9,400.		
10,000.	T. Eaton Acceptance 5½% April 15/84.....	7,950.		
25,000.	Royal Trust Company Mortgage Corporation 6% Oct. 1/85	19,500.		
25,000.	RoyNat 6½% December 15/80.....	23,000.	\$ 59,850.	.9%
<u>SHARES</u>		<u>PREFERRED STOCKS</u>		
5,500	Canada Cement Lafarge 6½% Pfd.....	\$ 85,938.		
4,000	G.B.C. Capital Ltd. Pfd.....	113,000.		
2,640	Jannock Corporation Limited Pfd.....	37,950.		
3,600	Metropolitan Stores of Canada Limited \$1.30 Pfd. '61.	56,700.		
1,700	Metropolitan Stores of Canada Limited \$1.30 Pfd. '67.	26,775.	\$ 320,363.	4.6%
		<u>COMMON STOCKS</u>		
		<u>BANK</u>		
8,000	Bank of Nova Scotia.....	\$191,000.	\$ 191,000.	2.7%
		<u>FINANCE</u>		
2,000	Canada Trustco Mortgage Company "A".....	\$ 48,500.		
8,000	TD Realty Investments.....	204,000.	\$ 252,500.	3.6%
		<u>FOODS</u>		
16,000	Dominion Stores Limited.....	\$276,000.		
2,600	Redpath Industries Limited "A".....	40,625.		
15,000	Scott's Restaurants Co. Limited "A".....	140,625.	\$ 457,250.	6.5%
		<u>FOREST PRODUCTS</u>		
8,000	MacLaren Power & Paper Company "A".....	\$368,000.		
7,084	The Price Company Limited.....	162,932.	\$ 530,932.	7.5%
		<u>MINES</u>		
5,000	Asbestos Corporation Limited.....	\$235,000.		
5,300	Hollinger Mines Limited "A".....	202,725.		
2,500	Labrador Mining and Exploration Company Limited.....	97,500.	\$ 535,225.	7.6%
		<u>MISCELLANEOUS</u>		
5,000	Canadian Industries Limited.....	\$100,000.		
9,000	Greyhound Lines Canada Ltd.....	171,000.		
9,860	Ivaco Industries Limited "A".....	115,855.		
30,000	Magna International Inc. "A".....	480,000.		
8,000	St. Lawrence Cement Co. "A".....	184,000.		
9,000	Tele-Capital "A".....	157,500.	\$1,208,355.	17.2%
		<u>OILS</u>		
7,000	Ocelot Industries Ltd. "B".....	\$103,250.	\$ 103,250.	1.5%
		<u>PETROLEUM SERVICES</u>		
7,000	Trimac Limited "A".....	\$168,000.		
7,000	Westburne International Industries Ltd.....	245,000.	\$ 413,000.	5.9%
		<u>PIPELINES</u>		
8,000	Interprovincial Pipe Line Company "A".....	\$130,000.		
10,000	Pembina Pipe Line Ltd.....	77,500.		
13,800	Trans Canada Pipe Lines.....	239,775.	\$ 447,275.	6.6%
		<u>PUBLISHING</u>		
46,000	Harlequin Enterprises Limited.....	\$667,000.		
10,000	Reader's Digest Association (Canada) Ltd.....	90,000.		
9,000.	Torstar Corporation "B".....	166,500.	\$ 923,500.	13.1%
		<u>UTILITIES</u>		
7,500	Bell Canada.....	\$488,438.		
10,000	Maritime Telegraph & Telephone Company Limited.....	230,000.	\$ 718,438.	10.2%
		<u>WARRANTS</u>		
\$36,000	General Distributors of Canada Ltd.....	\$ 71,280	\$ 71,280.	1.0%
		<u>U.S. COMPANIES</u>		
5,000	Blue Bell Inc.....	\$123,058.		
3,000	Olin Corporation.....	64,939.		
8,580.	Pepsico Inc.....	260,779.		
1,000	R.J. Reynolds Industries, Inc.....	67,163.		
9,000	Sea Containers Inc.....	218,835.		
5,000	Simplicity Pattern Co. Inc.....	57,081	\$ 791,855.	11.1%
		<u>TOTAL PORTFOLIO</u>		
			\$7,024,073.	100.0%

IFL INVESTMENT FOUNDATION (CANADA) LIMITED
LA FONDATION DE PLACEMENTS IFL (CANADA) LIMITEE

BALANCE SHEET AS AT DECEMBER 31, 1978

ASSETS

Current

Cash	\$ 46,755
Accrued dividends and interest	107,074
Income taxes recoverable	<u>5,138</u>

158,967

Investments (note 3)	7,013,282
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Furniture and fixtures - at depreciated value	<u>1</u>
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\$ 7,172,250

LIABILITIES

Current

Accounts payable	\$ 2,637
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SHAREHOLDERS' EQUITY

Capital stock

Authorized	100,000 class A common shares of no par value	
	100,000 class B common shares of no par value	

Issued

30,892	class A common shares	597,931
49,057	class B common shares	<u>949,519</u>

1,547,450

Retained earnings	501,394
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Net realized gain on investments sold	3,211,226
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Unrealized gain on investments (note 3)	<u>1,909,543</u>
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7,169,613

\$ 7,172,250

Approved by the Board of Directors

A. Scott Fraser	Director
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Ian B. Campbell	Director
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IFL INVESTMENT FOUNDATION (CANADA) LIMITED
LA FONDATION DE PLACEMENTS IFL (CANADA) LIMITEE

NOTES TO FINANCIAL STATEMENTS

PERIOD ENDED DECEMBER 31, 1978

1. Offer by IFL Investment Foundation (Canada) Limited for all of the issued and outstanding shares of Investment Foundation Limited.

By a Judgment dated November 23, 1978 IFL Investment Foundation (Canada) Limited obtained the right to acquire, on or after December 24, 1978, the balance of the issued and outstanding class A convertible common shares and class B convertible common shares of Investment Foundation Limited. On December 28, 1978, IFL Investment Foundation (Canada) Limited acquired the balance of the issued and outstanding shares of Investment Foundation Limited. At the close of business, on the same day, Investment Foundation Limited distributed its assets to its parent company, IFL Investment Foundation (Canada) Limited. As a result, Investment Foundation Limited ceased operations and procedures have been authorized to commence proceedings to surrender the charter of the company.

2. Balance sheet

- a) The balance sheet presented as at December 31, 1978 is identical with the balance sheet included in the financial statements of Investment Foundation Limited for the period ended December 28, 1978.
- b) The only operating transactions during the period ended December 31, 1978 were dividends received from Investment Foundation Limited which were in turn paid out to the shareholders of IFL Investment Foundation (Canada) Limited.

3. Investments

Investments are carried at market value for financial statement purposes, and the difference between cost and market value is shown as "Unrealized gain on investments" included in the shareholders' equity section of the balance sheet.

Hyde, Houghton & Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders,
IFL Investment Foundation (Canada) Limited
La Fondation de Placements IFL (Canada) Limitée

We have examined the balance sheet of IFL Investment Foundation (Canada) Limited/La Fondation de Placements IFL (Canada) Limitée as at December 31, 1978. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this financial statement presents fairly the financial position of the company as at December 31, 1978 in accordance with generally accepted accounting principles.

Hyde, Houghton & Co.
Chartered Accountants

Montreal, Quebec
February 1, 1979

INVESTMENT FOUNDATION LIMITED

(Incorporated under the Quebec Companies Act)

BALANCE SHEET AS AT DECEMBER 28, 1978

ASSETS

	December 28, 1978	September 30, 1978
Current		
Cash	\$ 46,755	\$ 46,502
Accrued dividends and interest	107,074	48,194
Income taxes recoverable	<u>5,138</u>	<u>-</u>
	158,967	94,696
Investments (note 2)	7,013,282	7,226,316
Furniture and fixtures - at depreciated value	<u>1</u>	<u>1</u>
	<u>\$ 7,172,250</u>	<u>\$ 7,321,013</u>

LIABILITIES

Current		
Accounts payable	\$ 2,637	\$ 1,550
Income taxes payable	<u>-</u>	<u>8,138</u>
	2,637	9,688

SHAREHOLDERS' EQUITY

Capital stock		
Authorized		
100,000 class A common shares of no par value		
100,000 class B common shares of no par value		
Issued		
30,892 class A common shares (September 30, 1978 - 31,257)	597,931	604,995
49,057 class B common shares (September 30, 1978 - 48,692)	<u>949,519</u>	<u>942,455</u>
	1,547,450	1,547,450
Retained earnings	501,394	536,077
Net realized gain on investments sold	3,211,226	3,230,545
Unrealized gain on investments (note 2)	<u>1,909,543</u>	<u>1,997,253</u>
	<u>7,169,613</u>	<u>7,311,325</u>
Approved by the Board of Directors		
<u>A. Scott Fraser</u> Director	<u>\$ 7,172,250</u>	<u>\$ 7,321,013</u>
<u>Ian B. Campbell</u> Director		

INVESTMENT FOUNDATION LIMITED

STATEMENT OF EARNINGS

PERIOD ENDED DECEMBER 28, 1978

	Period Ended December 28, 1978	Six Month Period Ended September 30, 1978
Revenue		
Dividends	\$ 160,474	\$ 235,598
Interest	<u>3,563</u>	<u>8,415</u>
	164,037	244,013
Expenses		
Directors' fees	1,280	2,275
General	<u>12,938</u>	<u>25,033</u>
	14,218	27,308
Earnings before income taxes	149,819	216,705
Income taxes	<u>4,617</u>	<u>1,598</u>
Net earnings for the period	<u>\$ 145,202</u>	<u>\$ 215,107</u>
Earnings per Class A and Class B common share	\$ 1.82	\$ 2.69

STATEMENT OF RETAINED EARNINGS

PERIOD ENDED DECEMBER 28, 1978

Balance at beginning of period	\$ 536,077	\$ 640,766
Net earnings for the period	<u>145,202</u>	<u>215,107</u>
	681,279	855,873
Dividends paid	<u>179,885</u>	<u>319,796</u>
Balance at end of period	<u>\$ 501,394</u>	<u>\$ 536,077</u>

STATEMENT OF NET REALIZED GAIN ON INVESTMENTS SOLD

PERIOD ENDED DECEMBER 28, 1978

Net (loss) gain on investments sold before income taxes	\$ (23,560)	\$ 71,603
Income taxes (recoverable)	<u>(4,241)</u>	<u>16,055</u>
Net (loss) gain on investments sold for the period	(19,319)	55,548
Balance at beginning of period	<u>3,230,545</u>	<u>3,174,997</u>
Balance at end of period	<u>\$ 3,211,226</u>	<u>\$ 3,230,545</u>

INVESTMENT FOUNDATION LIMITED

STATEMENT OF CHANGES IN NET ASSETS

PERIOD ENDED DECEMBER 28, 1978

	Period Ended December 28, 1978	Six Month Period Ended September 30, 1978
Net assets at beginning of period	<u>\$ 7,311,325</u>	<u>\$ 6,298,887</u>
Net earnings for the period	<u>145,202</u>	<u>215,107</u>
Investments at cost at beginning of period	5,229,063	5,276,519
Purchases of investments for the period	<u>3,946</u>	<u>659,512</u>
	5,233,009	5,936,031
Investments at cost at end of period	<u>5,103,739</u>	<u>5,229,063</u>
Cost of investments sold for the period	129,270	706,968
Proceeds of investments sold for the period	<u>105,710</u>	<u>778,571</u>
Net (loss) gain on investments sold before income taxes	(23,560)	71,603
Income taxes (recoverable)	<u>(4,241)</u>	<u>16,055</u>
Net (loss) gain on investments sold for the period	(19,319)	55,548
(Decrease) increase in unrealized appreciation for the period	(87,710)	1,061,579
Dividends paid	<u>(179,885)</u>	<u>(319,796)</u>
Net (decrease) increase for the period	<u>(141,712)</u>	<u>1,012,438</u>
Net assets at end of period	<u><u>\$ 7,169,613</u></u>	<u><u>\$ 7,311,325</u></u>

INVESTMENT FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS

PERIOD ENDED DECEMBER 28, 1978

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2. Investments

Investments are carried at market value for financial statement purposes, and the difference between cost and market value is shown as "Unrealized gain on investments" included in the shareholders' equity section of the balance sheet.

Hyde, Houghton & Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders,
Investment Foundation Limited

We have examined the balance sheet of Investment Foundation Limited as at December 28, 1978 and the statements of earnings, retained earnings, net realized gain on investments sold and changes in net assets for the period then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion and according to the best of our information, the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 28, 1978 and the results of its operations for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Hyde, Houghton & Co.

Chartered Accountants

Montreal, Quebec
February 1, 1979

